

VILLAGE OF MORRICE
FINANCIAL STATEMENTS
FEBRUARY 29, 2004

AUDITING PROCEDURES REPORT

Issued under P.A. 2 of 1968, as amended. Filing is mandatory.

| | | | | |
|---|--------------------------------|---|--|-----------------------------|
| Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input checked="" type="checkbox"/> Village <input type="checkbox"/> Other | | Local Government Name <u>Village of Morrice</u> | | County <u>Shiawassee</u> |
| Audit Date <u>2-29-04</u> | Opinion Date <u>9-23-04</u> | Date Accountant Report Submitted to State: <u>10-14-04</u> | | |

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan and the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

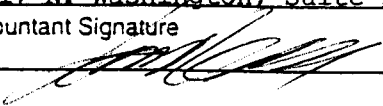
We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ yes ☒ no 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☒ yes ☐ no 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ yes ☒ no 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ yes ☒ no 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ yes ☒ no 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ yes ☒ no 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ yes ☒ no 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ yes ☒ no 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ yes ☒ no 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

| | Enclosed | To Be Forwarded | Not Required |
|---|----------|-----------------|--------------|
| The letter of comments and recommendations. | X | | |
| Reports on individual federal financial assistance programs (program audits). | | | X |
| Single Audit Reports (ASLGU). | | | X |

| | | | |
|---|-----------------------|--------------------|---------------------|
| Certified Public Accountant (Firm Name) <u>Demis and Wenzlick, P.C.</u> | | | |
| Street Address <u>217 N. Washington, Suite 201</u> | City <u>Owosso</u> | State <u>MI</u> | ZIP <u>48867</u> |
| Accountant Signature  | | | |

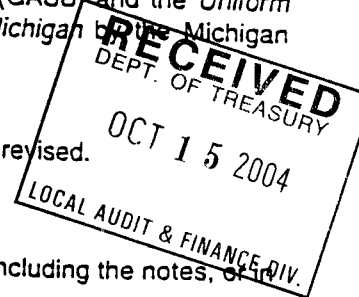


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INDEPENDENT AUDITOR'S REPORT

To the Honorable President
and Village Council
Village of Morrice, Michigan

We have audited the general purpose financial statements of the Village of Morrice, and its combining and individual fund financial statements as of and for the year ended February 29, 2004, as listed in the foregoing table of contents. These financial statements are the responsibility of the Village of Morrice management. Our responsibility is to express an opinion on these financial statements based on our audit.

We have conducted our audit in accordance with generally accepted auditing standards generally accepted in the United States of America. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the Village of Morrice as of February 29, 2004, and the results of its operations, and the cash flows of its proprietary fund types for the year then ended, in conformity with generally accepted accounting principles in the United States of America. Also, in our opinion, the combining individual fund and account group financial statements referred to above present fairly, in all material respects, the financial position of the individual fund and account groups of the Village of Morrice at February 29, 2004 and the results of operations of such funds and cash flows of individual proprietary and similar trust funds for the year ended in conformity with generally accepted accounting principles. Our examination was made for the purpose of forming an opinion on the combined financial statements taken as a whole and on the combining and individual fund financial statements.

The accompanying financial information, listed as supporting schedules in the table of contents is presented for purposes of additional analysis and is not a required part of the combined financial statements of the Village of Morrice. The information has been subjected to the auditing procedures applied in the financial statements of the combined, combining, and individual fund financial statements and, in our opinion, is fairly stated in all material respects in relation to the combined financial statements taken as a whole.

Our report of comments and recommendations has been submitted under date of September 23, 2004.

Dennis and Weaglist, P.C.

Certified Public Accountants

Owosso, Michigan
September 23, 2004

VILLAGE OF MORRICE
COMBINED BALANCE SHEET - ALL FUNDS, ACCOUNT GROUPS,
AND DISCRETELY REPORTED COMPONENT UNIT
FEBRUARY 29, 2004

| | <u>PROPRIETARY FUND TYPES</u> | | | | <u>ACCOUNT GROUPS</u> | | |
|---|-------------------------------|------------------------|-------------------------|--------------------|-----------------------------|-----------------------|-----------------------|
| | <u>GENERAL</u> | <u>SPECIAL REVENUE</u> | <u>INTERNAL SERVICE</u> | <u>ENTERPRISE</u> | <u>GENERAL FIXED ASSETS</u> | <u>LONG-TERM DEBT</u> | <u>COMPONENT UNIT</u> |
| ASSETS: | | | | | | | |
| Cash | \$31,637 | \$55,622 | \$28,298 | \$ 97,414 | \$ | \$ | \$ 230 |
| Accts. Rec. | 3,267 | 335 | | 75,032 | | | |
| Due from Other Funds | 9,737 | 227 | | | | | |
| Fixed Assets (Net of Accum. Depr) | | | | 2,414,728 | 940,974 | | |
| Issuing & Fin. Costs (Net of Accum. Amort.) | | | | 31,446 | | | |
| Amount to be Provided | | | | -0- | | 16,009 | |
| | <u>\$44,641</u> | <u>\$56,184</u> | <u>\$28,298</u> | <u>\$2,618,620</u> | <u>\$940,974</u> | <u>\$16,009</u> | <u>\$ 230</u> |
| LIABILITIES: | | | | | | | |
| Bank Over-Draft | \$ | \$ 1,080 | \$ | \$ | \$ | \$ | \$ |
| Accts. Pay | 17,133 | 6,432 | 108 | 3,243 | | | |
| Due to Other Funds | 227 | 4,744 | 591 | 2,692 | | | |
| Accrued Int. Payable | | | | 13,890 | | | |
| Long-Term Debt | | | | 690,000 | | 16,009 | |
| | <u>\$17,360</u> | <u>\$12,256</u> | <u>\$ 699</u> | <u>\$ 709,825</u> | <u>\$ -0-</u> | <u>\$16,009</u> | <u>\$</u> |
| FUND EQUITY: | | | | | | | |
| Contribution in Aid of Constr. (Net of Accum. Amort.) | \$ | \$ | \$ | \$1,555,640 | \$ | \$ | \$ |
| Investment in General Fixed Assets | | | | | 940,974 | | |
| Retained Earn. | | | | 353,155 | | | |
| Fund Bal. | <u>27,281</u> | <u>43,928</u> | <u>27,599</u> | <u>2,618,620</u> | <u>\$940,974</u> | <u>\$16,009</u> | <u>\$ 230</u> |
| | <u>\$44,641</u> | <u>\$56,184</u> | <u>\$28,298</u> | <u>\$2,618,620</u> | <u>\$940,974</u> | <u>\$16,009</u> | <u>\$ 230</u> |

The accompanying notes are an integral part of the financial statements.

VILLAGE OF MORRICE
 COMBINED STATEMENT OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 ALL GOVERNMENTAL TYPES
 AND DISCRETELY REPORTED COMPONENT UNIT
 YEAR ENDED FEBRUARY 29, 2004

| | <u>GENERAL</u> | <u>SPECIAL REVENUE</u> | <u>COMPONENT UNIT</u> |
|---|------------------|----------------------------|---------------------------|
| REVENUES: | | | |
| Property Taxes | \$135,055 | \$ 12,857 | \$ |
| Tax Admin. Fee | 1,751 | | |
| State Shared Revenues | 97,374 | 74,234 | |
| Cable Franchise Fees | 2,346 | | |
| Interest Income | 183 | 427 | 1 |
| Charges for Services | | 78,415 | |
| Police & Liquor Control | 1,105 | | |
| Licenses & Permits | 3,426 | | |
| Fines | 1,954 | | |
| Sale of Assets | -0- | | |
| Assmts. & Misc. | <u>3,131</u> | <u>1,651</u> | |
| TOTAL REVENUES | \$246,325 | \$ 167,584 | \$ 1 |
| EXPENDITURES: | | | |
| Village Council | \$ 9,062 | \$ | \$ |
| Elections | 76 | | |
| Clerk | 16,328 | | |
| Treasurer | 2,510 | | |
| Halls | 19,055 | | |
| Police | 94,522 | | |
| Dept. of Public Works | 21,999 | | |
| Library | 2,492 | | |
| Zoning | 4,619 | | |
| General Administrative | 97,939 | | |
| Streets | | 109,443 | |
| Transfer Station | | 90,608 | |
| DDA | | -0- | <u>2,087</u> |
| TOTAL EXPENDITURES | <u>\$268,602</u> | <u>\$200,051</u> | \$ <u>2,087</u> |
| EXCESS OF REVENUES OVER EXPENDITURES (EXPENDITURES OVER REVENUES) | \$ (22,277) | \$ (32,467) | \$ (2,086) |
| OTHER FINANCING SOURCES (USES): | | | |
| Transfer In | \$ 14,400 | \$ 9,500 | \$ 2,200 |
| Transfers Out | <u>(14,200)</u> | <u>(10,500)</u> | <u>-0-</u> |
| TOTAL OTHER FINANCING SOURCES (USES) | \$ <u>200</u> | \$ <u>(1,000)</u> | \$ <u>2,200</u> |
| EXCESS REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES | \$ (22,077) | \$ (33,467) | \$ 114 |
| Fund Balance March 1, | <u>49,358</u> | <u>77,395</u> | <u>116</u> |
| FUND BALANCE FEBRUARY 29, | <u>\$ 27,281</u> | <u>\$ 43,928</u> | <u>\$ 230</u> |

The accompanying notes are an integral part of the financial statements.

VILLAGE OF MORRICE
COMBINED STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS
YEAR ENDED FEBRUARY 29, 2004

| | GENERAL FUND | | | SPECIAL REVENUE FUND | | | COMPONENT UNIT | | ACTUAL (OVER) UNDER BUDGET |
|--|--------------|-------------|-------------------------------------|----------------------|-------------|-------------------------------------|----------------|------------|-------------------------------------|
| | BUDGET | ACTUAL | ACTUAL (OVER) UNDER BUDGET | BUDGET | ACTUAL | ACTUAL (OVER) UNDER BUDGET | BUDGET | ACTUAL | |
| REVENUES: | | | | | | | | | |
| Property Taxes | \$ 148,000 | \$135,055 | \$ 12,945 | \$ 12,876 | \$ 12,857 | \$ 19 | \$ | \$ | \$ |
| Tax Admin. Fee | 2,000 | 1,751 | 249 | | | | | | |
| State Shared Rev. | 103,000 | 97,374 | 5,626 | 74,500 | 74,234 | 266 | | | |
| Fines | 2,000 | 1,954 | 46 | | | | | | |
| Cable Franchise Fees | 2,421 | 2,346 | 75 | | | | | | |
| Interest Income | 250 | 183 | 67 | 500 | 427 | 73 | 10 | 1 | 9 |
| Police & Liquor Control | 1,105 | 1,105 | -0- | | | | | | |
| Licenses & Permits | 3,500 | 3,426 | 74 | | | | | | |
| Charges for Serv. | -0- | -0- | -0- | 92,000 | 78,415 | 13,585 | | | |
| Misc. Income | 1,337 | 1,331 | (1,794) | 1,350 | 1,651 | (301) | | | |
| TOTAL REVENUES | \$ 263,613 | \$246,325 | \$ 17,288 | \$181,226 | \$167,584 | \$ 13,642 | \$ 10 | \$ 1 | \$ 9 |
| EXPENDITURES: | | | | | | | | | |
| Village Council | \$ 14,000 | \$ 9,062 | \$ 4,938 | \$ | \$ | \$ | \$ | \$ | \$ |
| Elections | 500 | 76 | 424 | | | | | | |
| Clerk | 17,500 | 16,328 | 1,172 | | | | | | |
| Treasurer | 2,750 | 2,510 | 240 | | | | | | |
| Halls | 24,150 | 19,055 | 5,095 | | | | | | |
| Police | 104,850 | 94,522 | 10,328 | | | | | | |
| Dept. Of Public Works | 123,000 | 21,999 | 101,001 | | | | | | |
| Library | 3,025 | 2,492 | 533 | | | | | | |
| Zoning | 5,600 | 4,619 | 981 | | | | | | |
| General Admin. | 122,222 | 97,939 | 24,283 | | | | | | |
| Streets | -0- | -0- | -0- | 172,332 | 109,443 | 62,889 | | | |
| Transfer Station | | | | 117,687 | 90,608 | 27,079 | | | |
| DDA | -0- | -0- | -0- | -0- | -0- | -0- | 2,626 | 2,087 | 539 |
| TOTAL EXPENDITURES | \$ 417,597 | \$268,602 | \$ 148,995 | \$ 290,019 | \$200,051 | \$ 89,968 | \$ 2,626 | \$ 2,087 | \$ 539 |
| EXCESS OF REVENUES OVER EXPENDITURES (EXPENDITURES OVER REVENUES) | \$ (153,984) | \$ (22,277) | \$ (131,707) | \$ (108,793) | \$ (32,467) | \$ (76,326) | \$ (2,616) | \$ (2,086) | \$ 530 |
| OTHER FINANCING SOURCES (USES): | | | | | | | | | |
| Transfers In | -0- | 14,400 | (14,400) | 30,000 | 9,500 | 20,500 | \$ 2,500 | \$ 2,200 | \$ 300 |
| Transfers Out | (38,000) | (14,200) | (23,800) | (10,500) | (10,500) | -0- | | | |
| TOTAL OTHER FINANCING SOURCES (USES) | \$ (38,000) | \$ 200 | \$ (38,200) | \$ 19,500 | \$ 1,000 | \$ 20,500 | \$ 2,500 | \$ 2,200 | \$ 300 |
| EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES | \$ (191,984) | \$ (22,077) | \$ (169,907) | \$ (89,293) | \$ (33,467) | \$ 55,826 | \$ (116) | \$ 114 | \$ (230) |
| Fund Balance March 1, | | 49,358 | | | 77,395 | | | 116 | |
| FUND BALANCE FEBRUARY 29, | | \$ 27,281 | | | \$ 43,928 | | | \$ 230 | |

The accompanying notes are an integral part of the financial statements.

VILLAGE OF MORRICE
 COMBINED STATEMENT OF REVENUES, EXPENSES
 AND CHANGES IN RETAINED EARNINGS
 ALL PROPRIETARY FUND TYPES
 YEAR ENDED FEBRUARY 29, 2004

| | <u>PROPRIETARY FUND TYPES</u> | |
|---|-------------------------------|-------------------------|
| | <u>ENTERPRISE</u> | <u>INTERNAL SERVICE</u> |
| OPERATING REVENUES: | | |
| Charges for Services | \$130,877 | \$ 35,244 |
| Sewer Hook-Ups | 16,400 | |
| Interest Income | 1,990 | 37 |
| Land Rent & Misc. | <u>4,580</u> | |
| | \$153,847 | \$ 35,281 |
| OPERATING EXPENSES: | | |
| Salaries | \$ 24,547 | \$ 3,772 |
| Fringe Benefits | -0- | -0- |
| Operating Supplies | 8,651 | 1,671 |
| Repairs & Maintenance | 16,440 | 1,027 |
| Equipment Rental | 12,000 | |
| Professional & Contracted Serv. | 9,375 | |
| Utilities & Telephone | 8,589 | |
| Audit and Legal | 1,438 | -0- |
| Interest Expense | 42,553 | 1,376 |
| Amortization | 2,096 | |
| Depreciation | 60,284 | |
| Transportation | -0- | 4,577 |
| Insurance | 5,000 | 2,000 |
| Equipment | -0- | 14,190 |
| Lab Testing & Engineering | 11,097 | -0- |
| Principal on Long-Term Debt | <u>-0-</u> | <u>12,094</u> |
| TOTAL EXPENSES | \$202,070 | \$ 40,707 |
| Operating Income (Loss) | \$(48,223) | \$ (5,426) |
| OTHER FINANCING SOURCES: | | |
| Transfers In | \$ -0- | \$ 19,000 |
| Transfers Out | <u>(4,400)</u> | <u>-0-</u> |
| EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENSES | \$(52,623) | \$ 13,574 |
| Non-Operating Revenues: | | |
| Amortization of Contribution in Aid of Construction | <u>47,140</u> | |
| NET INCOME | \$ (5,483) | \$ 13,574 |
| Retained Earnings March 1, | <u>358,638</u> | <u>14,025</u> |
| RETAINED EARNINGS FEBRUARY 29, | <u>\$353,155</u> | <u>\$ 27,599</u> |

The accompanying notes are an integral part of the financial statements.

VILLAGE OF MORRICE
STATEMENT OF CASH FLOW
ALL PROPRIETARY FUNDS
YEAR ENDED FEBRUARY 29, 2004

| | <u>PROPRIETARY FUND TYPES</u> | |
|---|-------------------------------|-------------------------|
| | <u>ENTERPRISE</u> | <u>INTERNAL SERVICE</u> |
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| Net Income (Loss) | \$ (5,483) | \$13,574 |
| Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities: | | |
| Depreciation | 60,284 | |
| Amortization-Financing Costs | 2,096 | |
| Amortization-Contribution in Aid of Construction | (47,140) | |
| (Increase) Decrease in Accounts Receivable | (1,592) | |
| Increase (Decrease) in Accounts Payable | 1,564 | (417) |
| (Increase) Decrease in Due to Other Funds | <u>2,692</u> | <u>591</u> |
| NET CASH PROVIDED FROM OPERATING ACTIVITIES | \$ 12,421 | \$ 13,748 |
| CASH FLOWS FROM FINANCING ACTIVITIES: | | |
| Increase (Decrease) in Bonds Payable | \$ <u>(25,000)</u> | \$ _____ |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | \$ (12,579) | \$ 13,748 |
| CASH AND CASH EQUIVALENTS BEGINNING OF YEAR | <u>109,992</u> | <u>14,550</u> |
| CASH AND CASH EQUIVALENTS END OF YEAR | \$ <u>97,413</u> | \$ <u>28,298</u> |
| SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION: | | |
| Cash Paid During the Year for: | | |
| Interest | \$ <u>42,995</u> | \$ <u>1,376</u> |

DISCLOSURE OF ACCOUNTING POLICY

For purposes of the Statement of Cash Flows, the Village considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

The accompanying notes are an integral part of the financial statements.

VILLAGE OF MORRICE
ENTERPRISE FUND
DEBT SERVICE CHARGES TO MATURITY
ON BONDED INDEBTEDNESS
FEBRUARY 29, 2004

| <u>YEAR ENDED</u> | <u>PRINCIPAL</u> | <u>INTEREST</u> | <u>DEBT SERVICE CHARGES</u> |
|-------------------|------------------|------------------|-------------------------------------|
| 2004 | \$ 25,000 | \$ 41,670 | \$ 66,670 |
| 2005 | 25,000 | 40,320 | 65,320 |
| 2006 | 25,000 | 38,945 | 63,945 |
| 2007 | 30,000 | 37,545 | 67,545 |
| 2008 | 30,000 | 35,835 | 65,835 |
| Thereafter | <u>555,000</u> | <u>450,597</u> | <u>1,005,597</u> |
| | <u>\$690,000</u> | <u>\$644,912</u> | <u>\$1,334,912</u> |

The accompanying notes are an integral
part of the financial statements.

VILLAGE OF MORRICE
SCHEDULE OF INDEBTEDNESS - 2001 FORD CROWN VICTORIA
FEBRUARY 29, 2004

The Village purchased a police car in the Motor Vehicle Pool Fund. The purchase was financed with a lease/purchase which has been capitalized with an interest rate of 6.7% per annum. The monthly payments are \$685. The original purchase price is \$28,613.

| <u>YEAR ENDED</u> | <u>PAYMENT</u> | <u>INTEREST</u> | <u>PRINCIPAL</u> |
|-------------------|-----------------|-----------------|------------------|
| February 28, 2005 | \$ 8,214 | \$ 465 | \$ 7,749 |
| February 28, 2006 | <u>2,739</u> | <u>38</u> | <u>2,701</u> |
| | <u>\$10,953</u> | <u>\$ 503</u> | <u>\$10,450</u> |

The accompanying notes are an integral part of the financial statements.

VILLAGE OF MORRICE
SCHEDULE OF INDEBTEDNESS - 1998 CHEVROLET DUMP TRUCK
FEBRUARY 29, 2004

The Village purchased a dump truck in the Motor Vehicle Pool Fund. The purchase was financed with a loan from a local bank with an interest rate of 5.0% per annum. The monthly payments are \$438. The original purchase price is \$22,000.

| <u>YEAR ENDED</u> | <u>PAYMENT</u> | <u>INTEREST</u> | <u>PRINCIPAL</u> |
|-------------------|-----------------|-----------------|------------------|
| February 28, 2005 | \$ 5,256 | \$ 163 | \$ 5,093 |
| February 28, 2006 | <u>469</u> | <u>3</u> | <u>466</u> |
| | \$ <u>5,725</u> | \$ <u>166</u> | \$ <u>5,559</u> |

The accompanying notes are an integral part of the financial statements.

VILLAGE OF MORRICE
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED FEBRUARY 29, 2004

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Village of Morrice conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant policies:

FUND ACCOUNTING

The accounting of the Village are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures, or expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are grouped, in the financial statements in this report, into generic fund types and broad fund categories as follows:

GOVERNMENT FUNDS

General Fund - The General Fund is the general operating fund of the Village. It is used to account for all financial resources except those required to be accounted for in another fund.

Special Revenue Fund - Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than special assessments, expendable trusts, or major capital projects) that are legally restricted to expenditures for specified purposes.

Capital Projects Funds - Capital Projects Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds and trust funds).

PROPRIETARY FUNDS

Enterprise Funds - Enterprise Funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

VILLAGE OF MORRICE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED FEBRUARY 29, 2004

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

USE OF ESTIMATES

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses.

FIXED ASSETS

The accounting and reporting treatment applied to the fixed assets associated with a fund are determined by its measurement focus. All governmental funds are accounted for on a spending or "financial flow" measurement focus. This means that only current assets and current liabilities are generally included on their balance sheets. Their reported fund balance (net current assets) is considered a measure of "available spendable resources". Governmental fund operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Accordingly, they are said to present a summary of sources and uses of "available spendable resources" during a period.

Fixed assets used in governmental fund type operations (general fixed assets) are accounted for in the General Fixed Asset Group, rather than in governmental funds. Public Domain ("infrastructure") general fixed assets consisting of certain improvements including buildings, but other than roads, bridges, curbs and gutters, streets, sidewalks, drainage systems, and lighting systems are capitalized along with other general fixed assets. No depreciation has been provided on general fixed assets.

All fixed assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated fixed assets are valued at their estimated fair value on the date donated.

This account group is not a fund. It is concerned only with the measurement of financial position. It is not involved with measurement of results of operations.

Because of their spending measurement focus, expenditure recognition for governmental fund types is limited to exclude amounts represented by noncurrent liabilities. Since they do not affect net current assets, such long-term amounts are not recognized as governmental fund type expenditures or fund liabilities. They are instead reported as liabilities in the General Long-Term Debt Account Group.

VILLAGE OF MORRICE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED FEBRUARY 29, 2004

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

FIXED ASSETS (CONTINUED)

All proprietary funds are accounted for on a cost of services or "capital maintenance" measurement focus. This means that all assets and all liabilities (whether current or noncurrent) associated with their activity are included on their balance sheets. Their reported fund equity (Net total assets) is segregated into contributed capital and retained earnings components. Proprietary fund type operating statements present increases (revenues) and decreases (expenses) in net total assets.

Depreciation of all exhaustible fixed assets used by proprietary funds is charged as an expense against their operations. Accumulated depreciation is reported on proprietary fund balance sheets. Depreciation has been provided over the estimated useful lives using the straight-line method. The estimated useful lives used are as follows:

| | |
|-----------------------------------|---------------|
| Infrastructure (Enterprise Funds) | 39 - 50 Years |
| Equipment | 5 - 10 Years |

BASIS OF ACCOUNTING

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

All governmental funds and Expendable Trust Funds are accounted for using the modified accrual basis of accounting. Their revenues are recognized when they become measurable and available as net current assets. Taxpayer-assessed income, gross receipts and sales taxes are considered "measurable" when in the hands of intermediary collecting government and are recognized as revenue at that time. Anticipated refunds of such taxes are recorded as liabilities and reductions of revenue when they are measurable and their validity seems certain.

Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. An exception of this general rule is accumulated unpaid vacation, sick pay, and other employee amounts which are not accrued.

All proprietary funds are accounted for using the accrual basis method of accounting. Their revenues are recognized when they are earned and their expenses are recognized when they are incurred.

VILLAGE OF MORRICE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED FEBRUARY 29, 2004

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BUDGETS AND BUDGETARY ACCOUNTING

The Village follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to the beginning of the fiscal year, the clerk submits to the Village Council a proposed operating budget for the fiscal year commencing the following March 1. The operating budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted in the Village to obtain taxpayer comments.
3. Prior to March 1, the budget is legally enacted through passage of an ordinance.
4. The clerk is authorized to transfer budgeted amounts between departments within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the Village Council.
5. Formal budgetary integration is employed as a management control device during the year for the General Fund, Special Revenue Funds, Capital Projects Funds and Enterprise Funds.
6. Budgets for the general, special revenue and capital projects funds are adopted on a basis consistent with generally accepted accounting principles (GAAP).

CASH AND INVESTMENTS

Investments are stated at cost or amortized cost, which approximate market. Cash includes amounts in demand deposits.

SHORT-TERM INTERFUND RECEIVABLES/PAYABLES

Short-term interfund loans are classified as "due from other funds" or "due to other funds" on the balance sheet. Transactions occurring between individual funds for goods provided or services rendered are also classified as "due to other funds" or "due from other funds" on the balance sheet.

RESTRICTED ASSETS

Certain proceeds of enterprise fund revenue bonds, as well as certain resources set aside for repayment are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants.

VILLAGE OF MORRICE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED FEBRUARY 29, 2004

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

ENCUMBRANCES

Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting-under which purchase orders, contracts, or other commitments for the expenditure of resources are recorded to reserve that portion of the applicable appropriation-is utilized in the government fund types. Encumbrances outstanding at year end are reported as reservations of fund balances and do not constitute expenditures or liabilities because the commitments will be honored during the subsequent year. There are no significant encumbrances at year end.

COMPENSATED ABSENCES

No liability is accrued at February 29, 2004 as it is less than one year's liability.

LONG-TERM OBLIGATIONS

The portion of long-term debt expected to be financed from expendable available financial resources is recognized as a liability of a governmental fund when due. The remaining portion of such obligations is reported in the general long-term debt account group. Long-term liabilities are expected to be financed from proprietary fund operations are accounted for in those funds.

PROPERTY TAXES

Property taxes attach an enforceable lien on property by the county. Taxes are levied on June 30, and payable on October 20. The Township of Perry bills and collects the Village's property taxes. Property tax revenues are recognized when levied to the extent that they result in current receivables. The Village is permitted by the Municipal Finance law of the State to levy taxes up to 15 mills total. The Village Council has allocated 12.8041 mills for governmental services.

NOTE B - REPORTING ENTITY

For financial reporting purposes, in conformance with NCGA Statement No. 3, Defining the Governmental Reporting Entity, the Village of Morrice includes all funds, account groups, agencies, boards, commissions, and authorities that are controlled by or dependent on the Village's executive or legislative branches (the Village Mayor or the Council, respectively). Control by or dependence on the village was determined on the basis of budget adoption, taxing authority, outstanding debt secured by revenues or general obligations of the Village to finance any deficits that may occur or receipt of significant subsidies from the Village.

Based on the foregoing criteria, the Downtown Development Authority is included in the Village's annual report.

VILLAGE OF MORRICE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED FEBRUARY 29, 2004

NOTE C - CHANGES IN GENERAL FIXED ASSETS

A summary of changes in general fixed assets follows:

| | 2-28-03 <u>BALANCES</u> | <u>INCREASES</u> | <u>DECREASES</u> | 2-29-04 <u>BALANCES</u> |
|------------------------------|----------------------------|------------------|------------------|----------------------------|
| Land | \$ 10,918 | \$ | \$ | \$ 10,918 |
| Buildings and Improvement | 606,230 | | | 606,230 |
| Machinery and Equipment | 215,962 | 17,251 | | 233,213 |
| Vehicles | <u>90,613</u> | | | <u>90,613</u> |
| | <u>\$923,723</u> | <u>\$17,251</u> | <u>\$ -0-</u> | <u>\$940,974</u> |

NOTE D - SANITARY SEWER FUND OBLIGATIONS

On September 10, 1996, the Village of Morrice refinanced existing bonds payable and generated additional funding for the operation of its Sanitary Sewer System. These bonds mature on November 1, of each year and are payable with interest from 3.80% to 5.75% per annum.

The maturities of the bonds are as follows:

| <u>YEAR ENDED</u> <u>JUNE 30,</u> | <u>PRINCIPAL</u> <u>AMOUNT DUE</u> |
|--------------------------------------|---------------------------------------|
| 2004 | \$ 25,000 |
| 2005 | 25,000 |
| 2006 | 25,000 |
| 2007 | 30,000 |
| 2008 | 30,000 |
| Thereafter | <u>555,000</u> |
| | <u>\$690,000</u> |

VILLAGE OF MORRICE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED FEBRUARY 29, 2004

NOTE E - CASH AND CERTIFICATES OF DEPOSIT

The Village's deposits at February 29, 2004, consisted of cash and certificate of deposit at two financial institutions:

| <u>INSTITUTION A</u> | <u>AMOUNT</u> | <u>FDIC INSURED</u> | <u>UNINSURED</u> |
|--------------------------|------------------|---------------------|------------------|
| Demand Deposits | <u>\$134,483</u> | <u>\$100,000</u> | <u>\$ 34,483</u> |
| | <u>\$134,483</u> | <u>\$100,000</u> | <u>\$ 34,483</u> |
| <u>INSTITUTION B</u> | | | |
| Time Deposits | <u>79,798</u> | <u>79,798</u> | <u>-0-</u> |
| TOTALS | <u>\$214,281</u> | <u>\$179,798</u> | <u>\$ 34,483</u> |

NOTE F - INTERFUND RECEIVABLES AND PAYABLES

At February 29, 2004, individual interfund receivables and payables were:

| | <u>INTERFUND RECEIVABLE</u> | <u>INTERFUND PAYABLE</u> |
|-------------------|---------------------------------|------------------------------|
| Sewer | \$ | \$ 2,692 |
| Municipal Streets | | 557 |
| General Fund | 9,737 | 227 |
| Major Streets | 227 | 2,164 |
| Transfer Station | | 2,023 |
| Local Streets | | 1,710 |
| Motor Vehicle | | <u>591</u> |
| | <u>\$9,964</u> | <u>\$9,964</u> |

NOTE G - DEFERRED COMPENSATION PLAN

On October 17, 2000, the Village established a deferred compensation package under IRS Code Section 457. This plan permits voluntary contributions to the plan. The Village matches contributions to a maximum of 6% of compensation. The Village contribution was \$5,301 during the year ended February 29, 2004.

VILLAGE OF MORRICE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FEBRUARY 29, 2004

NOTE H - GENERAL LONG-TERM DEBT

The Village financed two equipment purchases during the year ended February 28, 2003.

A 2001 Ford Crown Victoria was purchased by way of a lease/purchase contract. The cost of the police car was \$28,613. The monthly lease payment is \$685, including interest at 6.7% per annum. The balance due is \$10,450.

A 1998 Chevrolet Dump Truck was purchased for \$22,000 and financed with a loan from a local bank. The monthly payment of \$438 including interest at 5% per annum. The balance due is \$5,559.

FINANCIAL STATEMENTS
OF
INDIVIDUAL FUNDS

GENERAL FUND

To account for resources traditionally associated with governments which are not required to be accounted for in another fund.

VILLAGE OF MORRICE
GENERAL FUND
COMPARATIVE BALANCE SHEETS
FEBRUARY 29, 2004 AND 2003

ASSETS

| | <u>2004</u> | <u>2003</u> |
|--------------------------------------|-----------------|-----------------|
| Cash in Bank | \$31,637 | \$54,413 |
| Due from Other Funds | 9,737 | 557 |
| Delinquent Property Taxes Receivable | 921 | 624 |
| Cable TV Royalty Receivable | <u>2,346</u> | <u>2,421</u> |
| | <u>\$44,641</u> | <u>\$58,015</u> |

LIABILITIES AND FUND BALANCE

| | | |
|--------------------|-------------------|-------------------|
| Accounts Payable | \$17,133 | \$ 8,430 |
| Due to Other Funds | <u>227</u> | <u>227</u> |
| | \$17,360 | \$ 8,657 |
| Fund Balance | <u>27,281</u> | <u>49,358</u> |
| | <u>\$44,641</u> | <u>\$58,015</u> |

The accompanying notes are an integral
part of the financial statements.

VILLAGE OF MORRICE
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
YEARS ENDED FEBRUARY 29, 2004 AND 2003

| | AMENDED <u>BUDGET</u> | <u>2004</u> <u>ACTUAL</u> | ACTUAL (OVER) UNDER <u>BUDGET</u> | <u>2003</u> <u>ACTUAL</u> |
|-------------------------|--------------------------|------------------------------|--|------------------------------|
| REVENUES: | | | | |
| Current Property Taxes | \$148,000 | \$135,055 | \$ 12,945 | \$121,090 |
| Tax Admin. Fee | 2,000 | 1,751 | 249 | 1,612 |
| State Shared Revenues | 103,000 | 97,374 | 5,626 | 107,435 |
| Cable Franchise Fees | 2,421 | 2,346 | 75 | 2,421 |
| License & Permits | 3,500 | 3,426 | 74 | 10,193 |
| Police Trng., Liq. Con. | 1,105 | 1,105 | 0 | 1,133 |
| Fines | 2,000 | 1,954 | 46 | 2,142 |
| Interest Income | 250 | 183 | 67 | 509 |
| Misc. Income | 1,337 | 3,131 | (1,794) | -0- |
| Sale of Assets | -0- | -0- | -0- | 38,726 |
| TOTAL REVENUES | \$263,613 | \$246,325 | \$ 17,288 | \$285,261 |
| EXPENDITURES: | | | | |
| Village Council: | | | | |
| Salaries | \$ | \$ 9,000 | \$ | \$ 8,670 |
| Dues & Misc. | | 62 | | 4,562 |
| TOTAL VILLAGE COUNCIL | \$ 14,000 | \$ 9,062 | \$ 4,938 | \$ 13,232 |
| Elections: | | | | |
| Salaries | \$ | \$ -0- | \$ | \$ 344 |
| Printing & Publishing | | 76 | | 483 |
| TOTAL ELECTIONS | \$ 500 | \$ 76 | \$ 424 | \$ 827 |
| Clerk: | | | | |
| Salaries | \$ | \$ 16,102 | \$ | \$ 16,686 |
| Supplies/Other | | 226 | | 606 |
| TOTAL CLERK | \$ 17,500 | \$ 16,328 | \$ 1,172 | \$ 17,292 |
| Treasurer: | | | | |
| Salaries | \$ | \$ 2,100 | \$ | \$ 3,267 |
| Supplies | | 410 | | 407 |
| TOTAL TREASURER | \$ 2,750 | \$ 2,510 | \$ 240 | \$ 3,674 |

The accompanying notes are an integral part of the financial statements.

VILLAGE OF MORRICE
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
YEARS ENDED FEBRUARY 29, 2004 AND 2003

| | | <u>2004</u> | | <u>2003</u> |
|--------------------------------|---------------------------------|-----------------|--|-----------------|
| | <u>AMENDED</u> <u>BUDGET</u> | <u>ACTUAL</u> | ACTUAL (OVER) UNDER <u>BUDGET</u> | <u>ACTUAL</u> |
| EXPENDITURES: | | | | |
| Halls: | | | | |
| Supplies | \$ | \$ 4,022 | \$ | \$ 5,443 |
| Utilities & Tele. | | 7,129 | | 5,413 |
| Repairs & Maint. | | <u>7,904</u> | | <u>8,506</u> |
| TOTAL HALLS | \$ 24,150 | \$ 19,055 | \$ 5,095 | \$19,362 |
| Police: | | | | |
| Salary | \$ | \$ 70,566 | \$ | \$73,651 |
| Training | | 750 | | 750 |
| Operating Supp. | | 6,286 | | 3,920 |
| Telephone | | 1,722 | | 1,795 |
| Transportation | | <u>15,198</u> | | <u>11,209</u> |
| TOTAL POLICE | \$104,850 | \$ 94,522 | \$ 10,328 | \$91,325 |
| Dept. Of Public Works: | | | | |
| Salaries | \$ | \$ 17,977 | \$ | \$19,597 |
| Contract Labor | | -0- | | 3,745 |
| Supplies | | 4,022 | | 2,547 |
| Capital Outlay | | <u>-0-</u> | | <u>43,726</u> |
| TOTAL DEPT. OF PUBLIC WORKS | \$123,000 | \$ 21,999 | \$101,001 | \$69,615 |
| Library: | | | | |
| Utilities & Tele. | \$ | \$ <u>2,492</u> | \$ | \$ <u>2,460</u> |
| TOTAL LIBRARY | \$ 3,025 | \$ 2,492 | \$ 533 | \$ 2,460 |
| Zoning: | | | | |
| Salaries | \$ | \$ 4,580 | \$ | \$ 3,600 |
| Prof. Fees | | -0- | | 2,215 |
| Printing & Supp. | | <u>39</u> | | <u>-0-</u> |
| TOTAL ZONING | \$ 5,600 | \$ 4,619 | \$ 981 | \$ 5,815 |

The accompanying notes are an integral part of the financial statements.

VILLAGE OF MORRICE
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE (CONTINUED)
YEARS ENDED FEBRUARY 29, 2004 AND 2003

| | | <u>2004</u> | | <u>2003</u> |
|--|--------------------------|-------------------|---------------------------|-------------------|
| | | | ACTUAL (OVER) UNDER | |
| | AMENDED <u>BUDGET</u> | <u>ACTUAL</u> | <u>BUDGET</u> | <u>ACTUAL</u> |
| EXPENDITURES: | | | | |
| General Administrative: | | | | |
| Drains | \$ 7,500 | \$ 3,314 | \$ 4,186 | \$ 726 |
| Worker's Comp. Ins. | 5,000 | 4,941 | 59 | 4,146 |
| Insurance | 19,172 | 18,335 | 837 | 7,650 |
| Payroll Taxes | 19,200 | 15,252 | 3,948 | 5,384 |
| Pension | 6,000 | 5,301 | 699 | 4,991 |
| Health Ins. | 5,200 | 200 | 5,000 | 420 |
| Legal, Acctg. & Eng. | 39,000 | 38,899 | 101 | 19,588 |
| Street Lights | 10,500 | 8,711 | 1,789 | 9,105 |
| Recreation | -0- | -0- | -0- | 300 |
| Contingency/Misc | <u>10,650</u> | <u>2,986</u> | <u>7,664</u> | <u>-0-</u> |
| TOTAL GENERAL ADM. | \$ <u>122,222</u> | \$ <u>97,939</u> | \$ <u>24,283</u> | \$ <u>52,310</u> |
| TOTAL EXPENDITURES | \$ <u>417,597</u> | \$ <u>268,602</u> | \$ <u>148,995</u> | \$ <u>275,912</u> |
| EXCESS OF REVENUES OVER (UNDER) EXPENDITURES | | | | |
| | \$ (153,984) | \$ (22,277) | \$ (131,707) | \$ 9,349 |
| OTHER FINANCING SOURCES: | | | | |
| Transfers In | -0- | 14,400 | (14,400) | 11,600 |
| Transfers Out | <u>(38,000)</u> | <u>(14,200)</u> | <u>(23,800)</u> | <u>(15,500)</u> |
| EXCESS OF REVENUES OVER (UNDER) EXPENDITURES AND OTHER FINANCING SOURCES | \$ <u>(191,984)</u> | \$ (22,077) | \$ <u>(169,907)</u> | \$ 5,449 |
| Fund Balance March 1, | | <u>49,358</u> | | <u>43,909</u> |
| FUND BALANCE FEBRUARY 29, | | \$ <u>27,281</u> | | \$ <u>49,358</u> |

The accompanying notes are an integral part of the financial statements.

SPECIAL REVENUE FUNDS

MAJOR STREET FUND

Major Street Fund is used to receive all Major Street monies paid to the Village by the state, to account for monies received from special tax levies for street improvement purposes, to account for monies received from General Fund contributions and to account for construction, maintenance and other authorized operations to all streets classified as Major Street.

LOCAL STREET FUND

Local Street Fund is used to receive all Local Street monies paid to the Village by the state, to account for monies received from special tax levies for street improvement purposes, to account for monies received from General Fund contributions and to account for construction, maintenance and other authorized operations to all streets classified as Local Street.

MUNICIPAL STREET TAX FUND

Municipal Street Tax Fund is used to account for taxes segregated for street oriented operations.

TRANSFER STATION

This fund is used to account for monies to operate the refuse collection station.

VILLAGE OF MORRICE
COMPARATIVE COMBINING BALANCE SHEET
ALL SPECIAL REVENUE FUNDS
FEBRUARY 29, 2004 AND 2003

| | <u>2004</u> | | | | <u>2003</u> | |
|-------------------------|-------------------------|-------------------------|-----------------------------|-----------------------------|-----------------|-----------------|
| | MAJOR STREET FUND | LOCAL STREET FUND | MUNICIPAL STREET FUND | TRANSFER STATION FUND | COMBINED | COMBINED |
| ASSETS: | | | | | | |
| Cash in Bank | \$33,442 | \$ 1,956 | \$20,224 | \$ -0- | \$55,622 | \$92,936 |
| Due from Other Funds | 227 | -0- | -0- | -0- | 227 | 227 |
| Other Rec. | <u>51</u> | <u>219</u> | <u>-0-</u> | <u>65</u> | <u>335</u> | <u>530</u> |
| | <u>\$33,720</u> | <u>\$ 2,175</u> | <u>\$20,224</u> | <u>\$ 65</u> | <u>\$56,184</u> | <u>\$93,693</u> |

LIABILITIES AND FUND BALANCE

| | | | | | |
|-----------------------|-----------------|-----------------|-----------------|----------------|-----------------|
| Bank Overdraft \$ | \$ | \$ | \$ 1,080 | \$ 1,080 | \$ -0- |
| Accts. Pay | 451 | 1,710 | 4,271 | 6,432 | 15,741 |
| Due to Other Funds | 2,164 | | 557 | 2,023 | 4,744 |
| Fund Balance | <u>31,105</u> | <u>465</u> | <u>19,667</u> | <u>(7,309)</u> | <u>43,928</u> |
| | <u>\$33,720</u> | <u>\$ 2,175</u> | <u>\$20,224</u> | <u>\$ 65</u> | <u>\$56,184</u> |
| | | | | | <u>\$93,693</u> |

The accompanying notes are an integral part of the financial statements.

VILLAGE OF MORRICE
COMBINED STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
ALL SPECIAL REVENUE FUNDS
YEARS ENDED FEBRUARY 29, 2004 AND 2003

| | <u>2004</u> | | | | <u>2003</u> | |
|--|----------------------------------|----------------------------------|--------------------------------------|--------------------------------------|-------------------|-------------------|
| | <u>MAJOR STREET FUND</u> | <u>LOCAL STREET FUND</u> | <u>MUNICIPAL STREET FUND</u> | <u>TRANSFER STATION FUND</u> | <u>COMBINED</u> | <u>COMBINED</u> |
| REVENUES: | | | | | | |
| Property Taxes | \$ | \$ | \$ 12,857 | \$ | \$ 12,857 | \$ 10,226 |
| State Revenue | | | | | | |
| Sharing | 58,307 | 15,927 | | | 74,234 | 87,554 |
| Charges for Serv. | | | | 78,415 | 78,415 | 80,610 |
| Interest Income | 235 | 73 | 81 | 38 | 427 | 852 |
| Assmts. & Misc. | <u>1,251</u> | | | <u>400</u> | <u>1,651</u> | <u>1,739</u> |
| TOTAL REVENUES | \$ 59,793 | \$ 16,000 | \$ 12,938 | \$ 78,853 | \$167,584 | \$180,981 |
| EXPENDITURES: | | | | | | |
| Salaries | \$ 16,205 | \$ 15,064 | \$ | \$ 13,838 | \$ 45,107 | \$ 44,474 |
| Fringe Benefits | -0- | -0- | | -0- | -0- | 4,447 |
| Operating Supp. | 9,202 | 1,798 | | 17,896 | 28,896 | 13,890 |
| Pav. & Sidewalks | 23,773 | 4,533 | 15,612 | | 43,918 | 9,937 |
| Equip. Rental | 11,073 | 12,171 | | | 23,244 | 25,008 |
| Hauling | | | | 56,349 | 56,349 | 50,837 |
| Util. & Tele. | | | | 1,446 | 1,446 | 1,095 |
| Repairs | | | | 1,079 | 1,079 | 1,110 |
| Bank Fees | | <u>12</u> | | | <u>12</u> | |
| TOTAL EXPEND. | \$ <u>60,253</u> | \$ <u>33,578</u> | \$ <u>15,612</u> | \$ <u>90,608</u> | \$ <u>200,051</u> | \$ <u>150,798</u> |
| EXCESS OF REVENUES OVER (UNDER) | | | | | | |
| EXPENDITURES | \$ (460) | \$ (17,578) | \$ (2,674) | \$ (11,755) | \$ (32,467) | \$ 30,183 |
| OTHER FINANCING SOURCES (USES): | | | | | | |
| Transfers In | \$ | \$ 7,500 | \$ | \$ 2,000 | \$ 9,500 | \$ 20,000 |
| Transfers Out | <u>(10,000)</u> | <u>(500)</u> | | <u>-0-</u> | <u>(10,500)</u> | <u>(7,900)</u> |
| TOTAL OTHER FINANCING SOURCES (USES) | \$ <u>(10,000)</u> | \$ <u>7,000</u> | \$ | \$ <u>2,000</u> | \$ <u>(1,000)</u> | \$ <u>12,100</u> |

The accompanying notes are an integral
part of the financial statements.

VILLAGE OF MORRICE
 COMBINED STATEMENT OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCE (CONTINUED)
 ALL SPECIAL REVENUE FUNDS
 YEARS ENDED FEBRUARY 29, 2004 AND 2003

| | <u>2004</u> | | | | <u>2003</u> | |
|---|--------------------------------|--------------------------------|----------------------------------|------------------------------------|-----------------|------------------|
| | MAJOR STREET <u>FUND</u> | LOCAL STREET <u>FUND</u> | MUNICI. STREET <u>FUND</u> | TRANSFER STATION <u>FUND</u> | <u>COMBINED</u> | <u>COMBINED</u> |
| EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES | \$ (10,460) | \$ (10,578) | \$ (2,674) | \$ (9,755) | \$ (33,467) | \$ 42,283 |
| Fund Balance March 1, | <u>41,565</u> | <u>11,043</u> | <u>22,341</u> | <u>2,446</u> | <u>77,395</u> | <u>35,112</u> |
| FUND BALANCE FEBRUARY 29, | \$ <u>31,105</u> | \$ <u>465</u> | <u>\$19,667</u> | <u>\$ (7,309)</u> | <u>\$43,928</u> | <u>\$ 77,395</u> |

The accompanying notes are an integral
 part of the financial statements.

VILLAGE OF MORRICE
MAJOR STREET FUND
COMPARATIVE BALANCE SHEET
FEBRUARY 29, 2004 AND 2003

ASSETS

| | <u>2004</u> | <u>2003</u> |
|----------------------|-----------------|-----------------|
| Cash in Bank | \$33,442 | \$41,287 |
| Other Receivables | 51 | 51 |
| Due from Other Funds | <u>227</u> | <u>227</u> |
| | <u>\$33,720</u> | <u>\$41,565</u> |

LIABILITIES AND FUND BALANCE

| | | |
|--------------------|-----------------|-----------------|
| Due to Other Funds | \$ 2,164 | \$ |
| Accounts Payable | 451 | |
| Fund Balance | <u>31,105</u> | <u>41,565</u> |
| | <u>\$33,720</u> | <u>\$41,565</u> |

The accompanying notes are an integral part of the financial statements.

VILLAGE OF MORRICE
MAJOR STREET FUND
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
YEARS ENDED FEBRUARY 29, 2004 AND 2003

| | | <u>2004</u> | | <u>2003</u> |
|--|----------------------|-------------------|---------------------------|------------------|
| | AMENDED | | ACTUAL (OVER) UNDER | |
| | <u>BUDGET</u> | <u>ACTUAL</u> | <u>BUDGET</u> | <u>ACTUAL</u> |
| REVENUES: | | | | |
| State Shared Rev. | \$ 58,500 | \$ 58,307 | \$ 193 | \$ 63,897 |
| Interest Income | 250 | 235 | 15 | 343 |
| Assmts. & Sales | <u>1,350</u> | <u>1,251</u> | <u>99</u> | <u>1,739</u> |
| TOTAL REVENUES | \$ 60,100 | \$ 59,793 | \$ 307 | \$ 65,979 |
| EXPENDITURES: | | | | |
| Salaries | \$ | \$ 16,205 | \$ | \$ 8,372 |
| Fringe Benefits | | -0- | | 837 |
| Operating Supplies | | 9,202 | | 3,481 |
| Paving & Sidewalks | | 23,773 | | 9,937 |
| Equipment Rentals | | <u>11,073</u> | | <u>7,314</u> |
| TOTAL EXPENDITURES | \$ <u>91,387</u> | \$ <u>60,253</u> | \$ <u>31,134</u> | \$ <u>29,941</u> |
| EXCESS OF REVENUES OVER (UNDER) | | | | |
| EXPENDITURES | \$ (31,287) | \$ (460) | \$ (30,827) | \$ 36,038 |
| OTHER FINANCING USES: | | | | |
| Transfers Out | (<u>10,000</u>) | (<u>10,000</u>) | <u>-0-</u> | <u>(7,500)</u> |
| EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) | | | | |
| EXPENDITURES AND OTHER USES | \$ (<u>41,287</u>) | \$ (10,460) | \$ (<u>30,827</u>) | \$ 28,538 |
| Fund Balance March 1, | | <u>41,565</u> | | <u>13,027</u> |
| FUND BALANCE FEBRUARY 29, | | \$ <u>31,105</u> | | \$ <u>41,565</u> |

The accompanying notes are an integral
part of the financial statements.

VILLAGE OF MORRICE
LOCAL STREET FUND
COMPARATIVE BALANCE SHEET
FEBRUARY 29, 2004 AND 2003

ASSETS

| | <u>2004</u> | <u>2003</u> |
|-------------------|-----------------|-----------------|
| Cash in Bank | \$ 1,956 | \$19,469 |
| Other Receivables | <u>219</u> | <u>219</u> |
| | <u>\$ 2,175</u> | <u>\$19,688</u> |

LIABILITIES AND FUND BALANCE

| | | |
|------------------|-----------------|-----------------|
| Accounts Payable | \$ 1,710 | \$ 8,645 |
| Fund Balance | <u>465</u> | <u>11,043</u> |
| | <u>\$ 2,175</u> | <u>\$19,688</u> |

The accompanying notes are an integral
part of the financial statements.

| | | 2004 | | 2003 |
|---------------------------|--------------------|------------------|-------------------|------------------|
| | AMENDED | | ACTUAL | |
| | BUDGET | ACTUAL | (OVER) | ACTUAL |
| | | | UNDER | |
| | | | BUDGET | |
| REVENUES: | | | | |
| State Shared Rev. | \$ 16,000 | \$ 15,927 | \$ 73 | \$ 23,657 |
| Interest Earned | <u>100</u> | <u>73</u> | <u>27</u> | <u>288</u> |
| TOTAL REVENUES | \$ 16,100 | \$ 16,000 | \$ 100 | \$ 23,945 |
| EXPENDITURES: | | | | |
| Salaries | \$ | \$ 15,064 | \$ | \$ 7,803 |
| Fringe Benefits | | -0- | | 780 |
| Supplies | | 1,798 | | 709 |
| Equipment Rentals | | 12,171 | | 17,694 |
| Paving | | 4,533 | | |
| Bank Fees | <u></u> | <u>12</u> | <u></u> | <u></u> |
| TOTAL EXPENDITURES | \$ <u>45,069</u> | \$ <u>33,578</u> | \$ <u>11,491</u> | \$ <u>26,986</u> |
| EXCESS OF REVENUES OVER | | | | |
| (UNDER) EXPENDITURES | \$ (28,969) | \$ (17,578) | \$ (11,391) | \$ (3,041) |
| Other Financing Sources: | | | | |
| Transfers In | \$ 10,000 | \$ 7,500 | \$ | \$ 5,000 |
| Transfers Out | <u>(500)</u> | <u>(500)</u> | <u></u> | <u>(400)</u> |
| | \$ 9,500 | \$ 7,000 | \$ 2,500 | \$ 4,600 |
| EXCESS OF REVENUES AND | | | | |
| OTHER SOURCES OVER | | | | |
| (UNDER) EXPENDITURES | \$ <u>(19,469)</u> | \$ (10,578) | \$ <u>(8,891)</u> | \$ 1,559 |
| Fund Balance March 1, | | <u>11,043</u> | | <u>9,484</u> |
| FUND BALANCE FEBRUARY 29, | | \$ <u>465</u> | | \$ <u>11,043</u> |

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VILLAGE OF MORRICE
MUNICIPAL STREET FUND
COMPARATIVE BALANCE SHEET
FEBRUARY 29, 2004 AND 2003

ASSETS

| | <u>2004</u> | <u>2003</u> |
|--------------|-----------------|-----------------|
| Cash in Bank | <u>\$20,224</u> | <u>\$22,898</u> |

LIABILITIES AND FUND BALANCE

| | | |
|--------------------|-----------------|-----------------|
| Due to Other Funds | \$ 557 | \$ 557 |
| Fund Balance | <u>19,667</u> | <u>22,341</u> |
| | <u>\$20,224</u> | <u>\$22,898</u> |

The accompanying notes are an integral
part of the financial statements.

VILLAGE OF MORRICE
MUNICIPAL STREET FUND
STATEMENT OF REVENUE, EXPENDITURES
AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
YEARS ENDED FEBRUARY 29, 2004 AND 2003

| | | <u>2004</u> | | <u>2003</u> |
|--|--------------------|------------------|---------------------------|------------------|
| | AMENDED | | ACTUAL (OVER) UNDER | |
| | <u>BUDGET</u> | <u>ACTUAL</u> | <u>BUDGET</u> | <u>ACTUAL</u> |
| REVENUES: | | | | |
| Property Taxes | \$ 12,876 | \$ 12,857 | \$ 19 | \$ 10,226 |
| Interest Earned | <u>100</u> | <u>81</u> | <u>19</u> | <u>152</u> |
| TOTAL REVENUES | \$ 12,976 | \$ 12,938 | \$ 38 | \$ 10,378 |
| EXPENDITURES: | | | | |
| Paving | \$ <u> </u> | \$ <u>15,612</u> | \$ <u> </u> | \$ <u>-0-</u> |
| TOTAL EXPENDITURES | \$ <u>35,876</u> | \$ <u>15,612</u> | \$ <u>20,264</u> | \$ <u>-0-</u> |
| EXCESS OF REVENUES OVER (UNDER) EXPENDITURES | \$ <u>(22,900)</u> | \$ (2,674) | \$ <u>(20,226)</u> | \$ 10,378 |
| Fund Balance March 1, | | <u>22,341</u> | | <u>11,963</u> |
| FUND BALANCE FEBRUARY 29, | | \$ <u>19,667</u> | | \$ <u>22,341</u> |

The accompanying notes are an integral part of the financial statements.

VILLAGE OF MORRICE
TRANSFER STATION FUND
COMPARATIVE BALANCE SHEET
FEBRUARY 29, 2004 AND 2003

ASSETS

| | <u>2004</u> | <u>2003</u> |
|-------------------|--------------|-----------------|
| Cash in Bank | \$ -0- | \$ 9,282 |
| Other Receivables | <u>65</u> | <u>260</u> |
| | <u>\$ 65</u> | <u>\$ 9,542</u> |

LIABILITIES AND FUND BALANCE

| | | |
|--------------------|--------------------|------------------|
| Bank Overdraft | \$ 1,080 | \$ |
| Accounts Payable | 4,271 | 7,096 |
| Due to Other Funds | 2,023 | |
| Fund Balance | <u>(7,309)</u> | <u>2,446</u> |
| | <u>\$ 65</u> | <u>\$ 9,542</u> |

The accompanying notes are an integral part of the financial statements.

VILLAGE OF MORRICE
TRANSFER STATION FUND
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
YEARS ENDED FEBRUARY 29, 2004 AND 2003

| | | <u>2004</u> | | <u>2003</u> |
|---|-------------------|-------------------|---------------------------|------------------|
| | <u>AMENDED</u> | | ACTUAL (OVER) UNDER | |
| | <u>BUDGET</u> | <u>ACTUAL</u> | <u>BUDGET</u> | <u>ACTUAL</u> |
| REVENUES: | | | | |
| Charges for Services | \$ 75,000 | \$ 64,300 | \$ 10,700 | \$ 65,685 |
| Sales of Bags | 17,000 | 14,115 | 2,885 | 14,925 |
| Interest Income | 50 | 38 | 12 | 69 |
| Misc. Income | <u>-0-</u> | <u>400</u> | <u>(400)</u> | <u>-0-</u> |
| TOTAL REVENUES | \$ 92,050 | \$ 78,853 | \$ 13,197 | \$ 80,679 |
| EXPENDITURES: | | | | |
| Salaries | \$ | \$ 13,838 | \$ | \$ 28,299 |
| Fringe Benefits | | -0- | | 2,830 |
| Supplies | | 17,896 | | 9,700 |
| Hauling | | 56,349 | | 50,837 |
| Utilities & Telephone | | 1,446 | | 1,095 |
| Repairs | | <u>1,079</u> | | <u>1,110</u> |
| TOTAL EXPENDITURES | \$ <u>117,687</u> | \$ <u>90,608</u> | \$ <u>27,079</u> | \$ <u>93,871</u> |
| EXCESS OF REVENUES OVER (UNDER) | | | | |
| EXPENDITURES | \$ (25,637) | \$ (11,755) | \$ (13,882) | \$ (13,192) |
| OTHER FINANCING USES: | | | | |
| Transfers In | \$ 20,000 | \$ 2,000 | \$ 18,000 | \$ 15,000 |
| Transfer Out | <u>-0-</u> | <u>-0-</u> | <u>-0-</u> | <u>-0-</u> |
| EXCESS OF REVENUES OVER (UNDER) | | | | |
| EXPENDITURES AND OTHER FINANCING USES | \$ <u>(5,637)</u> | \$ (9,755) | \$ <u>4,118</u> | \$ 1,808 |
| Fund Balance March 1, | | <u>2,446</u> | | <u>638</u> |
| FUND BALANCE FEBRUARY 29, | | \$ <u>(7,309)</u> | | \$ <u>2,446</u> |

The accompanying notes are an integral part of the financial statements.

INTERNAL SERVICE FUNDS

MOTOR VEHICLE POOL FUND

Motor Vehicle Pool Fund is used to account for intergovernmental charges for operating expenses of vehicles of the police and Department of Public Works. Disbursements from this fund pay those various operating expenses. Accumulation of monies in this fund will be used for replacement of such vehicles.

VILLAGE OF MORRICE
MOTOR VEHICLE POOL FUND
COMPARATIVE BALANCE SHEET
FEBRUARY 29, 2004 AND 2003

ASSETS

| | <u>2004</u> | <u>2003</u> |
|--------------|-----------------|-----------------|
| Cash in Bank | <u>\$28,298</u> | <u>\$14,550</u> |

LIABILITIES AND RETAINED EARNINGS

| | | |
|-----------------------|-------------------|-------------------|
| Due to Other Funds | \$ 591 | \$ |
| Accounts Payable | <u>108</u> | <u>525</u> |
| | \$ 699 | \$ 525 |
| Retained Earnings | <u>27,599</u> | <u>14,025</u> |
| | <u>\$28,298</u> | <u>\$14,550</u> |

The accompanying notes are an integral
part of the financial statements.

VILLAGE OF MORRICE
MOTOR VEHICLE POOL FUND
STATEMENT OF REVENUES, EXPENDITURES
AND ANALYSIS OF CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
YEARS ENDED FEBRUARY 29, 2004 AND 2003

| | <u>2004</u> | | <u>2003</u> | |
|--|--------------------|------------------|---------------------------|------------------|
| | AMENDED | | ACTUAL (OVER) UNDER | |
| | <u>BUDGET</u> | <u>ACTUAL</u> | <u>BUDGET</u> | <u>ACTUAL</u> |
| OPERATING REVENUES: | | | | |
| Equipment Rentals | \$ 35,000 | \$ 35,244 | \$ (244) | \$ 29,698 |
| Fuel Tax | | | | 292 |
| Interest Income | <u>50</u> | <u>37</u> | <u>13</u> | <u>45</u> |
| TOTAL REVENUES | \$ 35,050 | \$ 35,281 | \$ (231) | \$ 30,035 |
| OPERATING EXPENSES: | | | | |
| Salaries | \$ | \$ 3,772 | \$ | \$ 3,309 |
| Fringe Benefits | | -0- | | 331 |
| Operating Supplies | | 1,671 | | 1,174 |
| Transportation | | 4,577 | | 3,346 |
| Repair & Maintenance | | 1,027 | | 5,802 |
| Equipment | | 14,190 | | 4,302 |
| Interest on Long-Term Debt | | 1,376 | | 2,080 |
| Audit | | -0- | | 500 |
| Insurance | | 2,000 | | 2,000 |
| Princ. on Long-Term Debt | <u></u> | <u>12,094</u> | <u></u> | <u>11,390</u> |
| TOTAL EXPENSES | \$ <u>71,601</u> | \$ <u>40,707</u> | \$ <u>30,894</u> | \$ <u>34,234</u> |
| NET INCOME (LOSS) | \$ (36,551) | \$ (5,426) | \$ 31,125 | \$ (4,199) |
| OTHER FINANCING SOURCES: | | | | |
| Transfers In | <u>22,000</u> | <u>19,000</u> | <u>3,000</u> | <u>14,000</u> |
| EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENSES | \$ <u>(14,551)</u> | \$ 13,574 | \$ <u>28,125</u> | \$ 9,801 |
| Retained Earnings March 1, | | <u>14,025</u> | | <u>4,224</u> |
| RETAINED EARNINGS FEBRUARY 29, | | \$ <u>27,599</u> | | \$ <u>14,025</u> |

The accompanying notes are an integral
part of the financial statements.

VILLAGE OF MORRICE
MOTOR VEHICLE POOL FUND
STATEMENT OF CASH FLOWS
YEARS ENDED FEBRUARY 29, 2004 AND 2003

| | <u>2004</u> | <u>2003</u> |
|---|----------------------|----------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| Net Income (Loss) | \$ 13,574 | \$ 9,801 |
| Increase (Decrease) in Payables | (417) | (163) |
| Increase (Decrease) in Due to Other Funds | <u>591</u> | <u> </u> |
| NET CASH PROVIDED BY (USED) OPERATING ACTIVITIES | \$ 13,748 | \$ 9,638 |
| CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR | <u>14,550</u> | <u>4,912</u> |
| CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR | <u>\$ 28,298</u> | <u>\$ 14,550</u> |
| SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION: | | |
| Cash Paid During the Year for: | | |
| Interest | \$ <u>1,376</u> | \$ <u>2,080</u> |

DISCLOSURE OF ACCOUNTING POLICY:

For purposes of the Statement of Cash Flows, the Village considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

The accompanying notes are an integral part of the financial statements.

ENTERPRISE FUND

Sanitary Sewer Fund - To account for the provision of sewer services to the residents of the Village. All activities necessary to provide such services are accounted for in this fund, including, but not limited to, administration (utility director), operations, maintenance, financing and related debt service, and billing and collection.

VILLAGE OF MORRICE
SEWER FUND
COMPARATIVE BALANCE SHEET
FEBRUARY 29, 2004 AND 2003

ASSETS

| | <u>2004</u> | <u>2003</u> |
|--------------------------------|--------------------|--------------------|
| CURRENT ASSETS: | | |
| Cash | \$ 17,616 | \$ 30,726 |
| Accounts Receivable | <u>57,463</u> | <u>45,651</u> |
| | \$ 75,079 | \$ 76,377 |
| RESTRICTED ASSETS: | | |
| Cash - Bond Reserve | 79,798 | 79,266 |
| LONG-TERM ASSETS: | | |
| Accounts Receivable | 17,569 | 27,789 |
| PROPERTY, PLANT AND EQUIPMENT: | | |
| Sewer Project | \$3,426,272 | \$3,426,272 |
| Accumulated Depreciation | <u>1,011,544</u> | <u>951,260</u> |
| | \$2,414,728 | \$2,475,012 |
| UNAMORTIZED DISCOUNTS: | | |
| Issuing and Financing Costs | \$ 48,203 | \$ 48,203 |
| Accumulated Amortization | <u>16,757</u> | <u>14,660</u> |
| | <u>\$ 31,446</u> | <u>\$ 33,543</u> |
| | <u>\$2,618,620</u> | <u>\$2,691,987</u> |

LIABILITIES AND FUND EQUITY

| | | |
|-------------------------------------|--------------------|--------------------|
| CURRENT LIABILITIES: | | |
| Due to Other Funds | \$ 2,692 | \$ 1,237 |
| Accounts Payable | 3,243 | 14,332 |
| Accrued Interest Payable | 13,890 | 25,000 |
| Current Portion - Long-Term Debt | <u>25,000</u> | <u>25,000</u> |
| | \$ 44,825 | \$ 40,569 |
| LONG-TERM LIABILITIES: | | |
| Bonds Payable | 665,000 | 690,000 |
| FUND EQUITY: | | |
| Contribution in Aid of Construction | \$2,357,000 | \$2,357,000 |
| Accumulated Amortization | <u>(801,360)</u> | <u>(754,220)</u> |
| | \$1,555,640 | \$1,602,780 |
| Retained Earnings | <u>353,155</u> | <u>358,638</u> |
| | <u>\$2,618,620</u> | <u>\$2,691,987</u> |

The accompanying notes are an integral part of the financial statements.

VILLAGE OF MORRICE
STATEMENT OF CASH FLOW
SEWER FUND
YEARS ENDED FEBRUARY 29, 2004 AND 2003

| | <u>2004</u> | <u>2003</u> |
|---|------------------|------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| Net Income (Loss) | \$ (5,483) | \$ (8,088) |
| Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities: | | |
| Depreciation | 60,284 | 62,429 |
| Amortization-Financing Costs | 2,096 | 2,096 |
| Amortization-Contribution in Aid of Construction | (47,140) | (47,140) |
| (Increase) Decrease in Accounts Receivable | (1,592) | 4,077 |
| Increase (Decrease) in Accounts Payable | 1,564 | (9,443) |
| Increase (Decrease) in Due to Other Funds | <u>2,692</u> | <u>-0-</u> |
| CASH PROVIDED (USED) FROM OPERATING ACTIVITIES | \$ 12,421 | \$ 3,931 |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | |
| Purchase of Fixed Assets | -0- | -0- |
| CASH FLOWS FROM FINANCING ACTIVITIES: | | |
| Increase (Decrease) in Bonds Payable | <u>(25,000)</u> | <u>(25,000)</u> |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | \$ (12,579) | \$ (21,069) |
| CASH AND CASH EQUIVALENTS BEGINNING OF YEAR | <u>109,992</u> | <u>131,061</u> |
| CASH AND CASH EQUIVALENTS END OF YEAR | <u>\$ 97,413</u> | <u>\$109,992</u> |
| SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION: | | |
| Cash Paid During the Year for: | | |
| Interest | <u>\$ 42,995</u> | <u>\$ 44,295</u> |

DISCLOSURE OF ACCOUNTING POLICY:

For purposes of the Statement of Cash Flows, the Village considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

The accompanying notes are an integral part of the financial statements.

VILLAGE OF MORRICE
SEWER FUND
STATEMENT OF REVENUES, EXPENSES
AND RETAINED EARNINGS - BUDGET AND ACTUAL
YEARS ENDED FEBRUARY 29, 2004 AND 2003

| | <u>2004</u> | | <u>2003</u> | |
|--|--------------------------|--------------------|--|--------------------|
| | AMENDED <u>BUDGET</u> | <u>ACTUAL</u> | ACTUAL (OVER) UNDER <u>BUDGET</u> | <u>ACTUAL</u> |
| OPERATING REVENUES: | | | | |
| Charges for Services | \$126,000 | \$130,877 | \$ (4,877) | \$110,506 |
| Sewer Hook-Ups | 16,400 | 16,400 | -0- | 45,390 |
| Interest Income | 7,800 | 1,990 | 5,810 | 2,892 |
| Land Rent & Misc. | <u>4,600</u> | <u>4,580</u> | <u>20</u> | <u>11,957</u> |
| | \$154,800 | \$153,847 | \$ 953 | \$170,745 |
| OPERATING EXPENSES: | | | | |
| Salaries | \$ | \$ 24,547 | \$ | \$ 23,322 |
| Fringe Benefits | | -0- | | 2,332 |
| Operating Supplies | | 8,651 | | 13,995 |
| Repairs & Maintenance | | 16,440 | | 29,769 |
| Equipment Rental | | 12,000 | | 4,691 |
| Contracted Services | | 9,375 | | 9,000 |
| Utilities & Telephone | | 8,589 | | 7,264 |
| Audit and Legal | | 1,438 | | 2,213 |
| Interest Expense | | 42,553 | | 43,862 |
| Amortization-Expense | | 2,096 | | 2,096 |
| Insurance | | 5,000 | | 5,000 |
| Depreciation | | 60,284 | | 62,429 |
| Engineering | | 7,643 | | -0- |
| Lab Testing | | <u>3,454</u> | | <u>3,400</u> |
| TOTAL EXPENSES | <u>\$186,928</u> | <u>\$202,070</u> | <u>\$ (15,142)</u> | <u>\$209,373</u> |
| OPERATING INCOME (LOSS) | \$ (32,128) | \$ (48,223) | \$ 16,095 | \$ (38,628) |
| OTHER FINANCING USES: | | | | |
| Transfers Out | <u>-0-</u> | <u>(4,400)</u> | <u>4,400</u> | <u>(16,600)</u> |
| | <u>\$ (32,128)</u> | <u>\$ (52,623)</u> | <u>\$ 20,495</u> | <u>\$ (55,228)</u> |
| NON-OPERATING REVENUES: | | | | |
| Amortization of Contribution in Aid of Construction | | <u>47,140</u> | | <u>47,140</u> |
| NET INCOME (LOSS) | | \$ (5,483) | | \$ (8,088) |
| Retained Earnings March 1, | | <u>358,638</u> | | <u>366,726</u> |
| RETAINED EARNINGS FEBRUARY 29, | | <u>\$353,155</u> | | <u>\$358,638</u> |

The accompanying notes are an integral part of the financial statements.

GENERAL FIXED ASSET ACCOUNT GROUP

To account for fixed assets not used
in proprietary fund operations.

VILLAGE OF MORRICE
GENERAL FIXED ASSET ACCOUNT GROUP
BALANCE SHEET
FEBRUARY 29, 2004

| | <u>2-28-03</u> | <u>ADDITIONS</u> | <u>DELETIONS</u> | <u>2-29-04</u> |
|----------------------|------------------|-------------------|-------------------|------------------|
| Land | \$ 10,918 | \$ | \$ | \$ 10,918 |
| Buildings & Improve. | 606,230 | | | 606,230 |
| Equipment | 215,962 | 17,251 | | 233,213 |
| Vehicles | <u>90,613</u> | <u> </u> | <u> </u> | <u>90,613</u> |
| | <u>\$923,723</u> | <u>\$17,251</u> | <u>\$ -0-</u> | <u>\$940,974</u> |

The accompanying notes are an integral
part of the financial statements.

GENERAL LONG-TERM DEBT

To account for the long-term contract
payable for equipment.

VILLAGE OF MORRICE
GENERAL LONG-TERM DEBT ACCOUNT GROUP
FEBRUARY 29, 2004

| | <u>BALANCE</u> <u>3-31-03</u> | <u>INCREASES</u> | <u>DECREASES</u> | <u>BALANCE</u> <u>3-31-04</u> |
|-----------------------|----------------------------------|-------------------|------------------|----------------------------------|
| Lease/Purchase - 2001 | | | | |
| Ford Crown Victoria | \$ 17,698 | \$ | \$ 7,248 | \$10,450 |
| Loan Payable - 1998 | | | | |
| Chev. Dump Truck | <u>10,405</u> | <u> </u> | <u>4,846</u> | <u>5,559</u> |
| | <u>\$ 28,103</u> | <u>\$ -0-</u> | <u>\$12,094</u> | <u>\$16,009</u> |

The accompanying notes are an integral
part of the financial statements.

DOWNTOWN DEVELOPMENT AUTHORITY

The Downtown Development Authority (DDA) Fund is used to account for the operations of the Morrice DDA. Financing for DDA operations was provided by the General Fund. Resources of this fund are used for the administration of the Authority and planning of improvements in the downtown district.

VILLAGE OF MORRICE
DOWNTOWN DEVELOPMENT AUTHORITY
FEBRUARY 29, 2004 AND 2003

ASSETS

| | <u>2004</u> | <u>2003</u> |
|------|---------------|---------------|
| Cash | \$ <u>230</u> | \$ <u>116</u> |

LIABILITIES AND FUND BALANCE

| | | |
|--------------|---------------|---------------|
| Fund Balance | <u>230</u> | <u>116</u> |
| | \$ <u>230</u> | \$ <u>116</u> |

The accompanying notes are an integral
part of the financial statements.

VILLAGE OF MORRICE
DOWNTOWN DEVELOPMENT AUTHORITY
YEARS ENDED FEBRUARY 29, 2004 AND 2003

| | <u>2004</u> | | <u>2003</u> | |
|--|---------------------------------|-----------------|--|---------------|
| | <u>AMENDED</u> <u>BUDGET</u> | <u>ACTUAL</u> | ACTUAL (OVER) UNDER <u>BUDGET</u> | <u>ACTUAL</u> |
| Revenues: | | | | |
| Interest Income | \$ <u>10</u> | \$ <u>1</u> | \$ <u>9</u> | \$ <u>1</u> |
| TOTAL REVENUES | \$ <u>10</u> | \$ <u>1</u> | \$ <u>9</u> | \$ <u>1</u> |
| EXPENDITURES: | | | | |
| Office Expense | \$ -0- | \$ | \$ | \$ 26 |
| Master Plan Dev. | <u>-0-</u> | <u>2,087</u> | <u></u> | <u>521</u> |
| TOTAL EXPENDITURES | \$ <u>2,626</u> | \$ <u>2,087</u> | \$ <u>539</u> | \$ <u>547</u> |
| EXCESS OF EXPENDITURES OVER REVENUES | \$ (2,616) | \$ (2,086) | \$ (530) | \$ (546) |
| OTHER FINANCING SOURCES: | | | | |
| Transfers In | <u>2,500</u> | <u>2,200</u> | <u>300</u> | <u>500</u> |
| EXCESS REVENUES AND OTHER SOURCES OVER EXPENDITURES | \$ <u>(116)</u> | \$ 114 | \$ <u>(230)</u> | \$ (46) |
| Fund Balance March 1, | | <u>116</u> | | <u>162</u> |
| FUND BALANCE, FEBRUARY 29, | | \$ <u>230</u> | | \$ <u>116</u> |

The accompanying notes are an integral part of the financial statements.



DEMIS and WENZLICK, P.C.

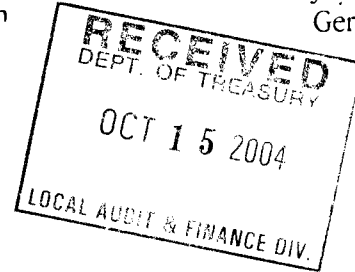
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Members of the Village Council
Village of Morrice
Morrice, Michigan 48857

In compliance with the provisions of Section 11, Paragraph 2, of Act 2, Public Acts of 1968, we wish to render our report of comments and recommendations which were formulated as a result of the examination our firm performed on the financial statements of the Village of Morrice for the year ended February 29, 2004.

BANK RECONCILIATION

The general ledger is one of the more important accounting records that the Village maintains. It is important that the cash accounts, per the general ledger, be reconciled to the bank statements. This reconciliation should occur monthly.

PROPERTY TAXES

Delinquent personal property taxes are not paid by the county. It is the Village's responsibility to collect these taxes. There should be more effort to collect these unpaid taxes from prior years. Reports should be given to the council that give the status of these delinquents.

CASH DISBURSEMENTS

In our examination of cash disbursements, we found many instances where checks had only 1 signature. In other instances, some supporting documentation was not available. We also found errors in the council approved check listing. We recommend care in following village procedures in the issuance of checks. Further, we recommend the bank signature card be changed to mandate two signatures.

BANK OVERDRAFT

We noted that one village account is overdrawn at year end. Cash position should carefully review to insure this situation does not occur.

BUILDING PERMITS

The Michigan Public Act 245 of 1999 requires building permits to be accounted for separately from General Fund monies. The state strongly recommends a separate fund be established to account for these funds. At a minimum, worksheets should be prepared that show that the expenses of managing this department exceeds the revenues generated.

BEGINNING BALANCES

We noted that the Village's general ledger does not agree to the audit report. Among other reasons, year end adjusting journal entries are not being posted to the ledger.

In order to maintain strong internal controls, the beginning balance of accounts should be reconciled to the audit and then unchanged. When using your software, the audit trail feature should be used to show detail of changes made.

PAYROLL TAXES

The Village has been delinquent in payment of some payroll taxes. The penalties for late payment are significant. In order to avoid fines and penalties, each months EFTPS payment must be paid by the 15th of the following month. Cash balance should be monitored to insure adequate cash to make the deposits.

DUPLICATE CHECK

We found a duplicate payment. We understand this situation has subsequently been remedied.

ACCOUNTS RECEIVABLE

We noted that a few accounts receivable have remained uncollected from prior years. We recommend that periodic attempts are made to collect money that is owed to the Village of Morrice. Any write offs as uncollectible should be approved by the council.

TRANSFER STATION FUND DEFICIT

PA 275 of 1980 prohibits a fund deficit. The Transfer Station has incurred a fund deficit this fiscal year that will result in the filing of a deficit elimination plan. We can assist in this preparation. The Village may want to review rates.

GASB 34

The Government Accounting Standards Board Issued Statement #34. This statement significantly changes governmental financial reporting. It requires reporting of infrastructure, including related depreciation and it requires management discussion and analysis of the government's financial condition. The effective date of this statement is February 28, 2005 for the Village of Morrice.

The State of Michigan has indicated it will not enforce compliance with GASB 34. At a later time, we will itemize both the advantages and disadvantages of compliance with this statement for the Village of Morrice.

COMPUTER PRINT OUTS

The staff was unable, at times, to print certain historical data from the sewer billings. It is inevitable that there will be computer or software problems. We recommend that a paper print out of sewer billings, collections and receivables be made and retained in a binder.

We further recommend that all Village work on the computer be done on the premises of the Village Hall.

PAYROLL

We found that contract and salaried employees were paid at various times of the month. We recommend that all such individuals be paid on the first of the month following the period actually worked. We also note that, at times, the notations for period worked was incorrect. Care should be made that the memo section is correctly identified.

We wish to thank the Council for the excellent cooperation we received in performing the Village audit. If we can be of any further assistance to the Village in any future matters, please do not hesitate to contact us.

Sincerely yours,

Dennis and Wenzel, P.C.

Certified Public Accountants